

## China

As competition in the textile and apparel industry continues to increase, China has become a major producer and importer of technical textile products. Its market is expected to develop rapidly, driven by demand and government support. With constant market expansion and growth in the demand of technical textiles, opportunities exist for U.S. exporters, as there is substantial need from key technical textile industries, such as industrial and medical textiles.



China is the number one supplier of textiles and apparel to the United States. China was also the fourth largest market for U.S. exports of textiles and apparel in 2014, representing 5 percent of total exports. U.S. exports increased by 27 percent between 2009 and 2010 and by 7 percent between 2012 and 2013. At the same time China's textile industry is experiencing declining growth. Growth dropped from 10.8 percent in 2012 to 8.3 percent in 2013. In 2014, China expects the growth rate will further drop to 7.4 percent.<sup>25</sup>

China attributes this decrease in industry growth and declining overseas orders to labor and other costs rising too fast. Increasing labor costs have to some extent undermined the international competitive advantage of the Chinese textile industry. This has led to the growth of textile and apparel exports in other Asian countries.

As China is losing some of its global textile and apparel market share it is already shifting to more value-added products, namely technical textiles. In this endeavor the Chinese textile industry has committed to improve basic research and development projects and to bolster technical innovations.

### Overview of the Technical Textile Market

The Chinese technical textile industry has experienced rapid growth over the past decade. Technical textiles are growing at a much faster rate relative to the whole textile industry. This industry developed relatively late in China as most domestic producers focused on the low and mid-end commodity market with little innovation. China is however, quickly improving its technologies. With significant support from the central

government, many Chinese producers in the industry are now seeking to produce high end, high value-added products.

In 2013, the Chinese National Bureau of Statistics stated that exports of plastic coated fabrics, medical textiles, nonwovens, canvas textiles, bags and fiberglass were six categories of products whose value accounted for nearly 80 percent of the entire technical textile sector. Among them, the nonwoven fabric export growth rate reached 21.2 percent. Conversely, coated fabric, nonwoven fabric, glass fiber fabric, medical and health care textiles, and paper textiles are the main imported products, accounting for 81.2 percent of the total imports.<sup>26</sup> China mainly imports technical textiles from Japan, Taiwan, Korea, and the United States.

Constant infrastructure construction, fast development of the automotive, aerospace, and health care industries in China is also driving technical textiles demand. China's central government is also supporting the industry's development through different methods, and aims to increase the proportion of the technical textile industry relative to the overall textile industry. In 2010 the share of technical textiles in China reached 20 percent and moved up to 23 percent in 2013.

### Challenges and Barriers to Technical Textile Exports

Foreign competition in China's technical textile industry is intense. All major competitors are fully committed to these markets in China. Similar to Brazil, the stakes are raised by the fact that China can be a difficult markets for U.S. companies to navigate. It can

be challenging for U.S. companies, especially SMEs, to navigate through complex governmental taxes and regulations. Additionally, in China, U.S. companies face a complex and often opaque commercial environment, and Chinese Government policies sometimes favor indigenous development and domestic companies.

Under China's "Demonstration Bases-Common Service Platform" export subsidy program, China seems to provide prohibited export subsidies through "Common Service Platforms" to manufacturers and producers across seven economic sectors (textiles, apparel and footwear is one of the seven) and dozens of sub-sectors located in more than one hundred and fifty industrial clusters in China.

This unfair Chinese program can be harmful to American workers and American businesses as China provides free and discounted services as well as cash grants and other incentives to enterprises that meet export performance criteria. In February, 2015 the United States Trade Representative decided to pursue dispute settlement consultations with the Government of China at the World Trade Organization (WTO) concerning China's "Demonstration Bases-Common Service Platform" export subsidy program.

### **Opportunities for U.S. Companies**

China has initiated programs designed to facilitate the growth of production and applications of technical textiles. U.S. exporters are in a good position to meet these market needs. Major infrastructure projects such as roads, railways, hydroelectric dams, and airports require large amounts of technical textiles beyond the ability of China's domestic industry to meet.

Due to high market demand for technical textiles in China, more and more foreign producers have planned to expand their production and to introduce new products in China.

The high end technical textile market in China is dominated by foreign producers especially those from the United States and Japan. Thus, there is a great potential market for U.S. producers, especially those with advanced technologies and manufacturing methods.

### *Non-wovens*

Ongoing economic advances in China will promote the development of the nonwoven sector, providing opportunities for nonwovens in a variety of goods, such as filters. With respect to consumer goods, rising incomes and standards of living will propel individuals to purchase convenience items, promoting the increased production of disposables among other items that are made with significant amounts of nonwoven fabrics.<sup>27</sup> This will create further opportunity for U.S. exports of nonwoven goods.

### *Specialty and Industrial Fabrics*

Chinese specialty and industrial textiles have experienced steady economic growth. Since 2008, specialty and industrial fabric exports from the United States have grown at an annual rate of 6.5 percent. With China as a top automobile producer, there has been an increase in demand for automotive textiles. U.S. exports of specialty and industrial fabrics are expected to increase to \$193 million in 2016 from \$170 million in 2014.

### *Medical Textiles*

Medical textiles are a top growth sector for the Chinese technical textile market. China was the thirteenth largest export market for U.S. products in this sector in 2008. The United States increased its exports to China raising it to tenth by 2014, and China is expected to move two spots higher, to eighth, by 2016. One of the major factors for this increase in demand of U.S. inputs and the continued growth of China's medical textile sector is advancements in the manufacturing process for producing advanced fibers and the replacement of traditional materials with advanced textile materials for higher performance. This is a strength of the U.S. industry and the U.S. industry is in a good position to take advantage of this demand.

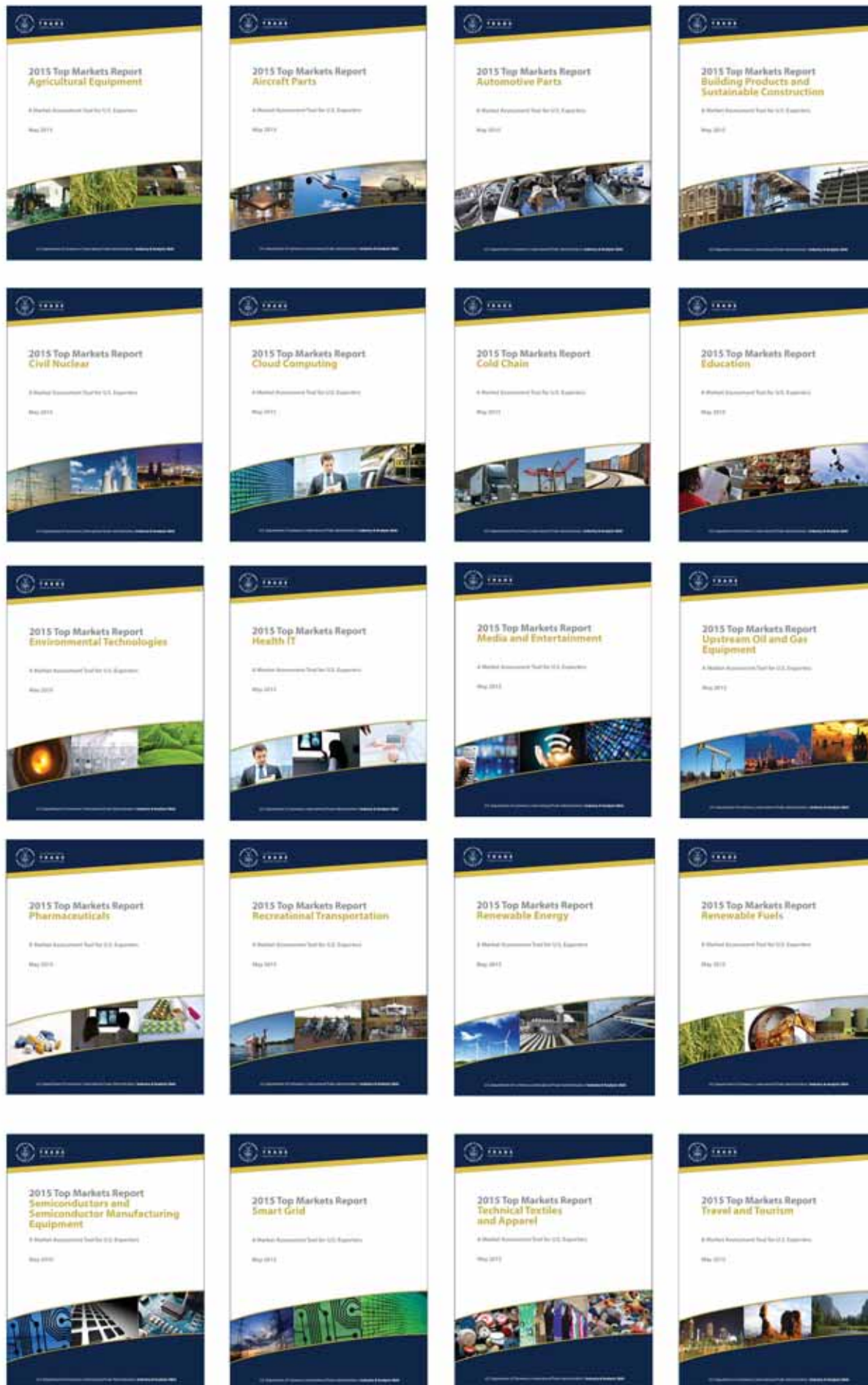
### *Protective Apparel*

Protective apparel is another technical textile industry that is experiencing rapid growth in China. Increasing industrialization in markets such as China coupled with the rising importance of safety in industries and the emergence of a manufacturing workforce are expected to remain key driving forces for the market and market potential for U.S. producers.

The high cost and complex manufacturing procedures associated with industrial protective clothing are expected to pose serious challenges for market participants. The State Administration of Work Safety

(the organization that governs industrial safety in China) has become actively involved in improving the workplace standards and safety parameters in Asia Pacific. Strict implementation of industrial safety

regulations will provide U.S. producers the opportunity to meet the increasing needs of China's protective apparel market.



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